

MINUTES OF SPECIAL MEETING
SUGAR CITY COUNCIL
FRIDAY, OCTOBER 21, 2005

Presiding: Mayor Dalling
Meeting convened at 7:00 a.m.
Prayer: Harold Harris
Pledge of Allegiance

Present: Mayor Dalling; Sharon L. Bell, Clerk; Marcie A. Smith, Treasurer; Council members Tim Kershaw, Walter Deitz, and Harold Harris; and Dick Dyer, City Engineer. Council member Brent Barrus was excused.

SUGAR CITY, TETON, REXBURG WASTEWATER AGREEMENT: Discussion was held on the history of the Sugar City, Teton, Rexburg Wastewater Agreement. A History of Sugar/Rexburg Sewer by the Dyer Group dated December 1, 2005, is attached hereto marked "Attachment 1."
(NOTE: Not agreed to or approved by the Council – needs some revision.)

The present status of capacity ownership stands as follows:

Sugar City owns	259,000 gallons per day
NorSun owns	<u>92,000</u> gallons per day
Balance owned by Sugar	167,000 gallons per day

ADDITIONAL WASTEWATER CAPACITY: The Mayor said when we raised the sewer hookup fee to \$1,425, \$1,000 of that was to go towards purchasing additional capacity. He said we have in that account now, according to Marcie, about \$40,000. If we bought 42,000 gallons per day capacity @\$3.50, it would cost \$147,000.

NorSun has requested to purchase an additional 158,000 gallons per day.

MOTION TO PURCHASE ADDITIONAL SEWER CAPACITY: It was moved by Council member Deitz and seconded by Council member Kershaw that we allow NorSun to purchase 158,000 gallons per day and that Sugar City purchase 42,000 gallons per day, making a total purchase from Rexburg of 200,000 gallons per day @\$3.50. The Mayor called for a roll call vote:

Those voting aye: Council members Kershaw, Deitz and Harris (with reservations)

Those voting nay: None

Thereupon, the Mayor declared the motion passed. The Mayor will communicate with NorSun that they need to start paying the surcharge and tell them how much of our capacity they are presently using. He should also tell them not to negotiate with Rexburg directly any more, and to deal directly with us. After November 30th the purchase price will go to \$3.79 per gallon.

Meeting adjourned at 7:55 a.m.

Signed: Glenn W. Dalling
Glenn W. Dalling, Mayor

Attested: Sharon L. Bell
Sharon L. Bell, Clerk



ENGINEERING • PLANNING • MANAGEMENT

MEMORANDUM**To:** Sugar City**From:** Winston R. Dyer, PE**Date:** December 1, 2005**Re:** History of Sugar/Rexburg Sewer

My knowledge of the Sugar City/Rexburg sewer facilities extends back to about 1980 when Sugar City abandoned their existing lagoon treatment facility and built an interceptor line to Rexburg for combined treatment. At the same time, Rexburg made a major upgrade and improvements to its aerated lagoon treatment facility.

That project was funded almost exclusively with EPA and State grants paying about 90% of the cost. Rexburg and Sugar City participated proportionate to the amount of flow contributed to the pipeline and treatment facilities. Sugar City's "share" was somewhere around 10%.

There was an agreement drawn up at the time (April 1979) to stipulate the usage of the facilities and Sugar City was given an allowance for flow based on the population of the City at the time. The population was agreed to be 800 persons and the allowable amount of flow was 150 gallons per capita per day = 120,000 gallons per day total.

A separate but related agreement was made in July 1991 to allow SunGlo to come onto the system and be a part of Sugar City's flow to Rexburg. SunGlo was allotted the equivalent of 12 residential hookups (equivalent users) in return for an \$11,400 connection fee. This gave them the equivalent of about 6,000 gallons per day capacity.

Increasingly more stringent regulations for the quality of effluent discharged into the South Fork of the Teton River, combined with the growth of Rexburg made it such that the aerated lagoon treatment facility was no longer capable of meeting its discharge permit in the early 1990's. Accordingly, Rexburg drew up plans to build a mechanical wastewater treatment facility (completely new plant), constructing it in 1994 largely with their own funds, a community development block grant, and \$540,000 cash from Sugar City (funded as part of the City-wide Sugar City collection system improvement project). This cash payment amounted to "8.15%" of the cost of the new facility and represented Sugar City's proportionate share of use at the time.

While there had never been any real "ownership" by a Sugar City in the Rexburg treatment plant up to that point in time, there was an allowance for capacity and Sugar City was obligated to pay a proportionate share of any improvements to Rexburg's treatment plant based on the proportion of flow that Sugar City was contributing at the time. Unfortunately, some people confused the percentage figures used (such as the 8.15% discussed figure above) with "ownership" thinking that Sugar City "owned" 8.15% of the Rexburg treatment plant, when in fact that figure merely represented Sugar City's use of the facility and therefore their proportionate share of the cost of the new plant.

Soon thereafter, it became apparent that Rexburg would likely be growing faster than Sugar City and thus Sugar City would be responsible for paying a portion of future upgrades to Rexburg's plant whether or not it served Sugar City's interests and needs. It was felt that a better approach would be to simply buy whatever capacity was needed to serve Sugar City and get out of the game of having to participate in the cost of all future treatment plant upgrades.

Accordingly, in 1999 it was agreed between the two cities that Sugar City would have an allowance of 215,000 gallons per day in the Rexburg treatment plant based on previous financial participation in improvements. From that point forward, Rexburg would pay for any improvements in the treatment plant and if Sugar City needed any more capacity they would simply buy it from Rexburg at the prevailing rate.

Also in 1999 the City of Teton came online with their sewer system. In order to provide for their participation with the two cities and to jointly use the interceptor facility between Sugar and Rexburg, a tri-city agreement was drawn up in February 1999 allocating 90,000 gallons per day wastewater treatment capacity to Teton in return for a \$270,000 investment. Teton also constructed a sizable improvement to the Kmart lift station at that time without cost to Sugar City.

In August 2003 EPA was pressuring Rexburg about gaining appropriate control over all in industrial users on the system, including those within Sugar City and Teton. As a result, a wastewater agreement between Rexburg and Sugar City was drawn up to provide for consistency of policy and handling of industrial wastewater users in an effort to assure there would not be adverse impacts on the Rexburg wastewater treatment facility from industrial users outside its jurisdiction.

In this past year (2005), Rexburg found it necessary to upgrade and expand the treatment plant again. They are in the process of a \$1.0 million improvement project to provide additional needed capacity. They may have obtained a CDBG grant for a part of this improvement, but certainly the rest is being funded out of Rexburg's own financial resources. Since Sugar City is now dealing with Rexburg merely on a capacity basis as needed, Sugar City did not have to participate in the cost of this upgrade.

As a point of comparison and using current proportionate usage numbers, participation in this upgrade would have cost Sugar City about \$71,000 without any benefit or increased capacity at all. Being on a capacity basis with Rexburg, Sugar City now only pays for what it needs and only when needed, which is a much healthier financial situation for a smaller community with limited resources.

On an overall perspective, Sugar City may have been a "part" of Rexburg's wastewater treatment facility back in the 1980's, but since then complete reconstruction of the treatment plant and subsequent agreements between the two cities have changed the situation to where Sugar City merely has an allowance for what is now currently 306,000 gallons per day treatment capacity at the plant (which includes flow from NorSun). Rexburg must accept up to that amount for treatment. Beyond that, Rexburg may allow additional capacity purchase if it is deemed there is capacity available, but if there is not, then Sugar City will not be able to increase capacity until improvements are made and a sale of available capacity is negotiated with Rexburg.

The current position of DEQ is that the treatment plant in Rexburg belongs to Rexburg and there is no obligation at this point either legally or via earlier grant participation that would justify forcing Rexburg to make additional capacity available to other cities. This would also be true of

jointly using any sewer facilities that were not constructed in a joint effort between the two municipalities. For example, the interceptor line up Salem Road (2nd East) was constructed entirely by Rexburg without any Sugar City participation at all and therefore Rexburg would not be "obligated" to allow Sugar City to connect on and use that line without a negotiated agreement which would likely include a clause for recapture of a proportionate share of the previous investment.

On the other hand, the decision to "regionalize" the treatment facility was done at DEQ and EPA's insistence to provide less impact to the environment, provide a greater overall degree of wastewater treatment, and economize the wastewater treatment in the general area. In that sense, Rexburg certainly has a "moral" obligation to allow the other cities using the treatment plant to expand their growth as needed, and DEQ has stated it would be in a position to encourage and request Rexburg's cooperation to that end.